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THE TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1375.
FILED, DECEMBER 2nd. 1965.

TOWERS MARTS AND PROPERTIES LIMITED
Full corporate name of Company

ONTARIO
Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953 (Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT

Reference is made to previous Filing Statement No. 989.

(To be filed with respect to any material change in a company's affairs, including among other things, an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.

Subject to the approval of its shareholders the Company has accepted an offer by The Oshawa Wholesale Limited and Mr. William Atkinson, which provides, inter alia, for a loan to the Company and the sale and option of certain shares of Allied Towers Merchants Limited held by the Company and plans to issue to its unsecured creditors notes and shares required to be issued by it under its Proposal. See Schedule A attached.

(See Schedule "A" on page 3)

2. Head office address and any other office address.

15 Wellington Street West, Toronto.

3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.

OFFICERS

Name and Address	Office	Chief Occupations for past 5 years
Maxwell Goldhar, 124 Old Forest Hill Road, Toronto, Ontario.	President	Executive
Samuel Gotfrid, Q.C. 163 Old Forest Hill Road, Toronto, Ontario	Secretary-Treasurer	Solicitor

DIRECTORS

Name	Address	Chief Occupations for past 5 years
C. Roger Archibald, Q.C.	45 Highland Ave. Toronto, Ontario	Solicitor
Stephen Waite	31 Exchange St. Rochester, N.Y.	Attorney
Michael Buzak	256 Colborne St. Brantford, Ont.	Executive
Joseph Hockenos	183 East Main St. Rochester, N.Y.	Executive
Raymond Wolfe	266 Owen Blvd. Willowdale, Ont.	Executive
Samuel Gotfrid, Q.C.	163 Old Forest Hill Road, Toronto, Ontario	Solicitor
Maxwell Goldhar	124 Old Forest Hill Road, Toronto, Ontario	Executive
James Renwick	20 St. Dennis Drive, Toronto, Ontario	Solicitor
Marshall H. Jones	1285 Clover Street Rochester, N.Y.	Executive

Since the last filing statement of the Company the following changes have taken place in officers and directors of the Company:

(i) Messrs. Marshall H. Jones and Walter H. Wells resigned December 3, 1963. Their places on the board and a vacancy existing at the date of the last filing statement were filled by the election of Messrs. R. Wolfe, Samuel Gotfrid, Q.C. and J. G. Meckler.

(ii) On January 14, 1964 Mr. Ben Rosenberg resigned as President and a director; Mr. S. Gotlieb resigned as Secretary and a director; and Messrs. Joseph Grassi and Anthony Sketches and Seymour Zuckerman resigned as directors. Messrs. Michael Buzak, C. Roger Archibald, Q.C., Joseph Hockenos, Stephen Waite and Maxwell Goldhar were elected directors. Mr. Maxwell Goldhar and Mr. Samuel Gotfrid, Q.C. were elected President and Secretary respectively.

(iii) On October 20, 1964, Mr. J. G. Meckler resigned as a director and was replaced by Mr. K. G. R. Gwynne-Timothy.

(iv) On May 18, 1965 Mr. K. G. R. Gwynne-Timothy resigned as a director and was replaced by Mr. James Renwick.

(v) On July 15, 1965 Mr. Harold Lieberman was not re-elected to the board. Mr. Marshall H. Jones was elected a director.

4. Share capitalization showing authorized and issued and outstanding capital.	3,000,000 shares without par value of which 2,250,015 have been issued and are outstanding.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	Mortgages on Tashereau Blvd. Property Principal amount $639,155 Interest 9% Principal amount $227,853 Interest 6% Mortgages on Chateauguay Property Principal amount $587,575 Interest 8% Principal amount $149,682 Interest 8% Principal amount $182,516 Interest 6% Loan Principal $508,645 Interest 8%
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	Under the Proposal the Company is to (i) pay the claim of each unsecured creditor whose claim exceeds $100 by the issue of unsecured notes as to 50% of the claim and shares without par value at $2.00 per share as to the remaining 50% of the claim; and (ii) grant to Lincoln Rochester Trust Company, Rochester, New York, the right to subscribe for up to 500,000 shares at $2.00 per share exercisable at any time up to July 31, 1968.
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	Reference is made to paragraph 6 hereof.
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	No payment has been or is to be made by or on behalf of the Company in cash or securities of the Company to a promoter or finder in connection with a proposed underwriting or property acquisition or in connection with the negotiation or implementation of the Proposal.
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	It is expected that the Company will operate merely as a holding company at least until the notes to be given to its creditors under the Proposal are retired. During that period the only moneys received by the Company will be (i) payments from Allied Towers Merchants Limited (Allied) in connection with the operation by Allied of the shopping centres; (ii) payments from Department Store Holdings Limited of $50,000 a year for 10 years from and including 1964; (iii) payment until 1975 by Allied of 7½% of its annual net profits before taxes; and (iv) any dividends paid on the shares of Allied held by the Company. Reference is made to paragraph 17 hereof and to Schedule A hereto. **(See Schedule "A" on page 3)**
10. Brief statement of company's chief development work during past year.	None.
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	None
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Not applicable.
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	2,000,000 shares in the capital of the Company are held in escrow and will not, so long as the shares of the Company are listed on the Toronto Stock Exchange, be released or transferred without the consent of the Toronto Stock Exchange. Reference is also made to paragraph 16 hereof.
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Lake & Co., 50 King Street West, Toronto is the registered holder of 2,000,000 escrowed shares. The Company understands that these shares are held by Lake & Co. for Lincoln Rochester Trust Company, Rochester, New York.
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	Names / Addresses / Shareholdings Lake & Co. — 50 King Street West, Toronto, Ontario — 2,000,000 T. A. Richardson & Co. — 4 King Street West, Toronto, Ontario — 36,286 Marshall Hay Jones — 1285 Clover Street, Rochester, N.Y. — 7,701 Doherty, Roadhouse & McCuaig Bros. — 335 Bay Street, Toronto, Ontario — 7,150 Bache & Co. — 360 Bay Street, Toronto, Ontario — 6,750 The 2,000,000 shares registered in the name of Lake & Co. referred to in paragraph 14 hereof are held by it as nominee for Lincoln Rochester Trust Company, Rochester, New York. T. A. Richardson & Co., Doherty, Roadhouse & McCuaig Bros. and Bache & Co. do not beneficially own the shares registered in their respective names and the Company does not know who are the beneficial owners of such shares.

SCHEDULE A

On July 8, 1963 the Company made a proposal (the "Proposal") to its creditors under Part III of the Bankruptcy Act which was accepted by the creditors July 19, 1963 and approved by the Court August 22, 1963. Particulars of the Proposal are contained in Filing Statement No. 989 filed October 24, 1963 to which reference is hereby made. In several letters to the creditors and shareholders of the Company, The Clarkson Company Limited, as Trustee named in the Proposal, has explained why the Company has heretofore been unable to implement the Proposal:

The reasons for this inability are:

(i) Several claims for substantial amounts by unsecured creditors of the Company were disallowed by the Trustee, and are now the subject of prospective litigation.

(ii) Allied Towers Merchants Limited ("ATM"), in which the Company has a 43% common share interest and which is obligated to pay 7½% of its annual net profits before taxes to the Company until 1975, had losses from its operations for its fiscal years up to and including the year ended December 31, 1964. In the result, the cash flow of the Company was insufficient to meet both current obligations and interest requirements on the notes to be issued to unsecured creditors under the Proposal.

During the past year the Directors of the Company (a majority of whom are representatives of a creditors' committee) have considered various alternatives which might enable the Company to implement its Proposal. As a consequence, partly by reason of an improvement in the operations of ATM, an offer has been made to the Company by The Oshawa Wholesale Limited and Mr. William Atkinson jointly. Mr. R. Wolfe, the President of The Oshawa Wholesale Limited, is a director of ATM and of the Company and Mr. Atkinson is a director of ATM. A copy of the offer accompanies this Filing Statement. **(See Schedule "B" on pages 4 to 6)**

The Directors of the Company are satisfied that the proceeds of the loan and sale of shares provided for in the offer will put the Company in a position to implement its Proposal and have accepted the offer subject to confirmation by the shareholders.

Notwithstanding the sale of the shares pursuant to the offer the Company will continue to have a real interest in ATM. The Company will continue to hold, subject to pledges, 503,750 common shares and 52,500 preference shares in the capital of ATM and will continue to be entitled until 1975 to the 7½% of its annual net profits before taxes. The pledgees have agreed to release such shares as may be required to complete the sale contemplated by the offer.

Implementation of the Proposal will involve obtaining supplementary letters patent increasing the authorized capital of the Company by the creation of an additional 750,000 shares.

Shareholders will be asked to confirm the resolutions of the Directors accepting the Offer and authorizing the application for such supplementary letters patent at the annual and a general meeting of the shareholders called for December 13, 1965.

As soon as may be after confirmation by the shareholders of acceptance of the Offer and the increase in the authorized share capital of the Company it is proposed to issue to creditors the notes and shares required to be issued under the Proposal.

SCHEDULE B

November 5th, 1965.

To: Towers Marts and Properties Limited,
c/o The Clarkson Company Limited,
15 Wellington Street West,
Toronto, Ontario.

Dear Sirs:

We understand that you own 753,750 fully paid and non-assessable Common Shares without par value (the "Common Shares") in the capital of Allied Towers Merchants Limited represented by Voting Trust Certificates issued pursuant to a Voting Trust Agreement (the "Voting Trust Agreement") made as of April 25, 1962, between your Company and certain other persons and National Trust Company, Limited, as Voting Trustee. We further understand that a substantial number of such Voting Trust Certificates may be subject to the terms of an Escrow Agreement (the "Escrow Agreement") made as of April 25, 1962, between your Company and certain other persons and National Trust Company, Limited as Escrow Agent.

The undersigned, The Oshawa Wholesale Limited and W. L. Atkinson, hereby offer to purchase all but not less than 250,000 Common Shares in the capital of Allied Towers Merchants Limited represented by Voting Trust Certificates owned by you at a price of 60¢ per share.

Acceptance of this offer may be made only by depositing, on or before 12:00 o'clock noon (Toronto time), November ~~24~~ 30, 1965, with National Trust Company, Limited, 21 King Street East, Toronto, Ontario, Voting Trust Certificates representing not less than 250,000 Common Shares in the capital of Allied Towers Merchants Limited, duly endorsed in blank for transfer or accompanied by an appropriate irrevocable stock transfer power duly executed in blank and, in either case, with signature guaranteed by a Canadian chartered bank or a firm having membership on the Toronto Stock Exchange, together with a certified copy of a resolution of your Board of Directors authorizing the sale.

If you shall accept this offer and comply with the terms and conditions hereinafter stated, we agree, if requested by you, to loan to your Company, at the time of completion of the purchase of the Common Shares referred to above, the sum of $150,000. to be repaid on or before November 30, 1970. The loan shall bear interest at 6% per annum, payable quarterly on the 30th days of February, May, August and November, until the loan is fully repaid. The loan shall be secured by specific assignment to us of the amount of $50,000. payable to you annually and the amount equal to 7½% of the annual net profit before income tax of Allied Towers Merchants Limited, being the payments made pursuant to and more fully described in agreements dated October 23, 1963 and November 11, 1963 respectively, between you, Allied Towers Merchants Limited and Department Store Holdings, subject to whatever rights of set off Allied Towers Merchants Limited or Department Store Holdings or either of them may have

under the said agreements. To the extent that the annual payment to you of 7½% of the annual net profit before income tax of Allied Towers Merchants Limited under the aforementioned agreement exceeds the sum of $50,000., any such excess shall be paid over to us in reduction of the loan. In the event you shall default in making any of the payments aforesaid in respect of the loan or if you shall be adjudged bankrupt while the loan or any part thereof remains outstanding, then we shall be entitled to call for immediate payment in full of our loan together with any accrued interest.

Our obligation to purchase the aforementioned Common Shares or to make the aforementioned loan to you shall be subject to the fulfillment of the following terms and conditions:

(i) termination prior to November 10, 1965 of the Escrow Agreement;

(ii) your undertaking to us to enter into an agreement whereunder for so long as we continue to hold the Common Shares aforementioned, we shall be entitled to nominate three of the persons whom you are entitled to nominate as Directors of Allied Towers Merchants Limited under the Voting Trust Agreement. Following any termination of the Voting Trust Agreement, you shall vote all of the Common Shares for the time being held by you for the election as Directors of Allied Towers Merchants Limited of such persons as we may nominate, it being understood that for so long as you continue to hold not less than 20% of the issued and outstanding Common Shares of Allied Towers Merchants Limited you may vote such shares for and we shall vote all the shares held by us for the election as Directors of Allied Towers Merchants Limited of two persons nominated by you

(iii) our receipt from you of an agreement in form satisfactory to our counsel giving us:

(a) an option exercisable for a period of five years from November 30, 1965, to purchase from you at $3.50 per share a further 125,000 Common Shares in the capital of Allied Towers Merchants Limited; and

(b) a first refusal exercisable for a period of five years from November 30, 1965, to purchase all of a further 378,750 Common Shares in the capital of Allied Towers Merchants Limited at the same price or prices and subject to the same terms and conditions as you are prepared to offer same to a bona fide purchaser; and

(iv) our receipt from your counsel of an opinion in form satisfactory to our counsel:

(a) that you have the right to enter into this Agreement;

(b) that the Voting Trust Certificates to be purchased

by us are free and clear of all encumbrance and represent fully paid and non-assessable Common Shares of Allied Towers Merchants Limited and that you have the right to sell the same to us; and

(c) that the sale of the said Voting Trust Certificates, the borrowing of the aforesaid sum of $150,000 from us and the giving of the security for such loan as referred to above, have been duly authorized and such security is valid and enforceable.

It is understood that in giving such opinion your counsel may rely as to matters of fact not within their knowledge and so specified in their opinion, on certificates of officers of your Company and of officers of the Trustee of your Company under its Proposal under Part III of the Bankruptcy Act.

Your obligation to sell the aforementioned common shares shall be subject to our undertaking, which we hereby agree to give on closing, that so long as we own or control, directly or indirectly, any of the common shares purchased from you hereunder, we will not without your written consent vote such shares in favour of any change in the attributes of the preference shares or the rights of the holders thereof which would adversely affect the interests of the holders of the common shares.

Provided you shall have complied with all of the terms and conditions in this offer, we agree to make payment for the Common Shares of Allied Towers Merchants Limited represented by Voting Trust Certificates deposited by you with National Trust Company, Limited as aforesaid, on or before the close of business on December 15, 1965.

We reserve the right to waive any of the conditions set out above and to extend the time for acceptance of this offer.

Yours very truly,
THE OSHAWA WHOLESALE LIMITED

By: [signature]

and

[signature]
W. L. Atkinson

TOWERS MARTS AND PROPERTIES LIMITED
(Incorporated under the laws of Ontario)

AND CONSOLIDATED SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1965
(with comparative figures at September 30, 1964)

A S S E T S

	1965	1964
Cash	$ 23,336	$ 164,809
4¼% bank deposit receipt	40,000	
Miscellaneous accounts receivable		44,667
	63,336	209,476
Investment in, and amounts due from, Allied Towers Merchants Limited:		
Accounts receivable -		
Current account	31,968	68,409
Instalment account	41,492	49,814
	73,460	118,223
Shares (notes 4 and 5) -		
52,500 6% preference shares, at cost	510,000	510,000
753,750 common shares	224,300	224,300
	807,760	852,523
Leased properties (note 3):		
Shopping centres - land and buildings	1,766,363	1,966,237
Furniture and fixtures	58,256	69,917
	1,824,619	2,036,154
	$2,695,715	$3,098,153

L I A B I L I T I E S

Current accounts payable and accrued charges	$ 34,411	$ 71,045
Secured creditors (schedule A) (note 5):		
Mortgages payable (secured by shopping centres and assignment of accounts receivable)	1,786,781	1,980,905
Loan payable (note 5)	508,645	615,242
	2,295,426	2,596,147
Due to creditors under bankruptcy Proposal (notes 1 and 6):		
Preferred creditors	252,000	259,000
Unsecured creditors	3,131,000	3,131,000
Accrued interest	117,000	47,000
	3,500,000	3,437,000
Total liabilities	5,829,837	6,104,192
Deficiency in shareholders' equity:		
Deficit	4,858,560	4,730,477
Less capital stock (note 7) -		
Authorized: 3,000,000 shares of no par value		
Issued: 2,250,015 shares	1,724,438	1,724,438
	3,134,122	3,006,039
	$2,695,715	$3,098,153

On behalf of the Board:

Director

Director

STATEMENT OF CONSOLIDATED INCOME AND EXPENSE AND DEFICIT

FOR THE YEAR ENDED SEPTEMBER 30, 1965
(with comparative figures for the year ended September 30, 1964)

	1965	1964
Lease rentals	$ 308,027	$ 296,468
Less amortization of leased properties	151,363	142,629
Net lease income	156,664	153,839
Miscellaneous income	4,983	12,942
	161,647	166,781
Expenses:		
Interest on secured claims	187,246	227,019
Interest on preferred and unsecured claims (note 1)	70,000	47,000
General expenses	32,484	17,753
	289,730	291,772
Loss for year before the following	128,083	124,991
Recovery from Interim Receiver		(28,000)
Reduction in carrying value of investments in Allied Towers Merchants Limited representing the company's share of the loss of Allied Towers Merchants Limited for its year ended December 31, 1964 (note 4)		151,900
Net loss for the year	128,083	248,891
Deficit, beginning of year	4,730,477	4,481,586
Deficit, end of year	$4,858,560	$4,730,477

TOWERS MARTS AND PROPERTIES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF CASH

FOR THE PERIOD FROM SEPTEMBER 30, 1964
TO SEPTEMBER 30, 1965

Factors which required cash:	
Payments on current accounts payable	$ 65,445
Payments on claims of secured creditors	301,046
Payments on claims of preferred creditors	7,000
Interest and miscellaneous expense	200,734
	574,225
Factors which provided cash:	
Collection of accounts receivable	91,225
Sale of land	60,192
Lease receipts	321,335
	472,752
Decrease in cash during period	$101,473

TOWERS MARTS AND PROPERTIES LIMITED
AND CONSOLIDATED SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1965

(1) Towers Marts and Properties Limited made a proposal to its creditors on July 8, 1963 under the provisions of The Bankruptcy Act which was accepted by the creditors and approved by the Court. Under the terms of the proposal it was provided among other things, that:

(a) Preferred claims would be paid in full in priority to the claims of ordinary creditors;

(b) Claims of ordinary creditors would be settled through the issue of unsecured notes, to the extent of 50% of the claims, with the balance to be satisfied through the issue of common stock of the company valued at $2.00 per share for purposes of the settlement. The notes would bear interest at 3% increasing to 6% in 1970 and would fall due in 1970-1979.

At September 30, 1965 the terms of the proposal had not been complied with and the proposal was therefore technically in default; accordingly, no effect has been given to the proposal in the accompanying financial statements, except that interest at 3% on 50% of the claims of ordinary creditors has been provided for.

(2) The accompanying balance sheet shows the consolidated financial position of the company and one of its wholly-owned subsidiary companies, Towers Metropolitan Company Limited. The accounts of the other wholly-owned subsidiaries, Towers Marts of Canada Limited, Bendonald Properties Limited, Vaber Investments Limited, Towers Greenfield Limited and Rectory Investments Limited have not been included in the consolidated balance sheet. These subsidiaries are not believed to have any assets of sitnificant value nor any liabilities for which the company could be held liable.

The company's investment in these subsidiaries has been written off and steps are being taken to surrender their charters.

(3) The company transferred its interests in the operation of shopping centres to Allied Towers Merchants Limited as of May 1, 1963. Eleven of these shopping centres on which the company has long-term leasing commitments requiring payments in total of approximately $190,000 per month were sub-leased to Allied Towers Merchants Limited for the same monthly rentals. Under the sub-leasing and other agreements, Towers Marts and Properties Limited is to receive 7½% of the consolidated net profits before tax of Allied Towers Merchants Limited and a rental rebate of $50,000 annually until December 31, 1975. In each of the years 1967 to 1975 inclusive Towers Marts and Properties Limited is to refund to Allied Towers Merchants Limited 50% of the amount by which its percentage share of consolidated profits exceeds $50,000 up to a maximum total refund of $155,000.

The two shopping centres owned by the company together with certain fixtures contained therein have been leased to Allied Towers Merchants Limited for a twelve year period from May 1, 1963 at an annual rental of approximately $260,000. The lessee has the option to purchase either or both of the shopping centres and the fixtures at any time during the term of the leases at the present value of the future lease payments. These shopping centres and fixtures are reflected on the accompanying balance sheet at the option prices at September 30, 1965 and the amortization thereof in the year applied against income in the statement of income and expense and deficit.

(4) At September 30, 1964 the company provided for its share ($151,900) of the 1964 losses of Allied Towers Merchants Limited. The carrying value of the company's investment in common shares of Allied was thereby reduced to an amount equal to the underlying book value of the shares as reflected in the consolidated balance sheet of Allied Towers Merchants Limited at December 31, 1964, the date of that company's fiscal year end. No adjustment has been made in the accompanying financial statements for the year ended September 30, 1965 with respect to the 1965 operating results of Allied Towers Merchants Limited pending completion of that company's 1965 fiscal year.

(5) At September 30, 1965 the preference and common shares of Allied Towers Merchants Limited owned by the company were pledged against secured indebtedness. The common shares are subject to a voting trust agreement and 477,375 of these shares were deposited under an escrow agreement. Subsequent to September 30, 1965 the escrow agreement was terminated.

(6) Claims in addition to those provided for in the balance sheet amounting to approximately $4,960,000 have been filed under the proposal referred to in note (1) above. These claims are based on the company's alleged guarantee of certain obligations of its former parent company, Towers Marts International Inc. They have been disallowed by the Trustee and are being contested in the courts by the Trustee, on behalf of the company.

(7) As referred to in note (1) above, under the terms of the proposal to the creditors, the company is to issue shares to its ordinary creditors to the extent of 50% of their claims at a price of $2.00 per share. It is estimated that this will require the issue of approximately 782,750 shares. In addition under the terms of the proposal the company is to grant an option to Lincoln Rochester Trust Company on 500,000 of its common shares at $2.00 per share exercisable on or before July 31, 1968.

Approval of the shareholders and the granting of Supplementary Letters Patent increasing the authorized share capital to at least 3,532,765 shares will be required to effect these share issues.

TOWERS MARTS AND PROPERTIES LIMITED

SCHEDULE OF SECURED CLAIMS AT SEPTEMBER 30, 1965

Claim	Interest	Due date	Monthly payment	Amount due
Mortgage -				
Re Greenfield Park - 1st	9%	March 31/77	$7,316	$ 639,155
Greenfield Park - 2nd	6%	May 1/71	4,000	227,853
Re Chateauguay - 1st	8%	Dec. 5/75	7,033	587,575
Chateauguay - 2nd	8%	June 30/74	2,000	149,682
Chateauguay - 3rd	6%	Feb. 28/73	2,500	182,516
Loan	8%	Dec. 1/75	6,033	508,645
				$2,295,426

Clarkson, Gordon & Co.
Chartered Accountants
15 Wellington Street West, Toronto 1, Canada

Halifax Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Winnipeg Regina Calgary Edmonton Vancouver
Arthur Young, Clarkson, Gordon & Co.
United States—Brazil
Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Towers Marts and Properties Limited:

We have examined the consolidated balance sheet of Towers Marts and Properties Limited as at September 30, 1965 and the statement of consolidated income and expense and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We are not in a position to express an opinion on the financial position of Towers Marts and Properties Limited as shown by the consolidated balance sheet at September 30, 1965 due to the uncertainty as to the extent of possible liabilities, if any, relating to claims of approximately $4,960,000 at that date, as explained in note 6 to the financial statements. It is our opinion, however, that the assets and liabilities, other than possible additional liabilities arising out of the aforementioned claims, are presented fairly in the consolidated balance sheet and that the statement of consolidated income and expense and deficit presents fairly the results of operations of the companies for the year ended September 30, 1965, in accordance with generally accepted accounting principles applied, except for the matter referred to in note 4 to the financial statements, on a basis consistent with that of the preceding year.

We report that certain officers and directors of The Clarkson Company Limited which is acting as Trustee under the Proposal referred to in note 1 to the financial statements are partners in our firm.

Clarkson, Gordon & Co.

Toronto, Canada,
November 26, 1965.

Chartered Accountants

TOWERS MARTS & PROPERTIES LIMITED

STATEMENT OF SOURCE & APPLICATION OF CASH

FOR THE PERIOD FROM SEPTEMBER 30, 1964

TO SEPTEMBER 30, 1965

Factors which required cash:

Payments on current accounts payable	$ 65,445
Payments on claims of secured creditors	314,246
Payments on claims of preferred creditors	7,000
Interest and miscellaneous expense	187,534
	$574,225

Factors which provided cash:

Collection of accounts receivable	$ 74,058
Sale of land	60,192
Lease receipts	338,502
	$472,752

Decrease in cash during period $101,473

Signed on behalf of the Board

Director

Director

There are no material changes in the items on the balance sheet since the date thereof.

DATED at Toronto this 30th day of November, 1965.

16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	As stated above the shares registered in the name of Lake & Co. are held by it for the benefit of Lincoln Rochester Trust Company, Rochester, New York, and this shareholding is large enough to materially affect control of the Company. Specific reference is also made to Sub clause (vi) of Schedule A of Filing Statement No. 989 which provides, inter alia, that until the notes to be issued under the Proposal are paid Lincoln Rochester Trust Company is to agree to cause not less than 1,750,000 shares of the Company to be voted for the election of a majority of the directors of the Company as directed by the creditors committee elected under the Proposal.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	(i) The Company owns or controls all the issued shares of: (a) Bendonald Properties Limited; (b) Towers Marts of Canada, Limited; (c) Towers Metropolitan Company Limited; (d) Vaber Investments Limited; and (e) Rectory Investments Limited. (ii) The Company owns 52,500 6% cumulative redeemable convertible first preference shares, 1962 Series with a par value of $10 each and Voting Trust Certificates representing 753,750 common shares without par value in the capital of Allied Towers Merchants Limited, purchased for an aggregate consideration of $1,250,000. Most of the said shares have been pledged as collateral security for loans.
18. Brief statement of any lawsuits pending or in process against company or its properties.	Any lawsuits pending or in process against the Company or its properties at the date of its Proposal will be settled under the Proposal. Except as mentioned in Schedule A to this Filing Statement there are no lawsuits pending or in process against the Company or its properties. **(See Schedule "A" on page 3)**
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	The Company has entered into the following agreements: 1. Between Department Store Holdings, Allied Towers Merchants Limited (Allied) and the Company dated October 23, 1963; 2. Between Rex Realty Limited, Octavius Investments Limited, Andorra Construction Limited and 660 St. Catherine Street West Limited and Allied and the Company dated October 23, 1963. 3. Between Allied and the Company dated November 11, 1963. These agreement provide inter alia (i) for the settlement of certain outstanding claims between the parties; (ii) the operation by Allied of the shopping centres; (iii) the payment to the Company by Department Store Holdings of $50,000 a year for 10 years from and including 1964; and (iv) the payment to the Company until 1975 by Allied of 7½% of its annual net profits before taxes.
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	Under the Proposal shares are to be issued to unsecured creditors of the Company and such shares when issued will be in the course of primary distribution. There are no other material facts.

DATED Nov 30. 1965

CERTIFICATE OF THE COMPANY

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"M. Goldhar" _____ CORPORATE SEAL

"S. Gotfrid" _____

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

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